

MPF Xtra

The MPF Xtra product lets PFIs originate and sell fixed-rate Fannie Mae mortgage products with no credit retention.

BACKGROUND AND PURPOSE

MPF Xtra offers PFIs the ability to originate and sell closed, fixed-rate, Fannie Mae²⁴ eligible mortgage loans with no credit risk retention although standard representations and warranties²⁵ still apply. Under MPF Xtra, the FHLB of Chicago operates as an aggregator for PFIs to sell loans to Fannie Mae. The credit risk associated with the loans under the MPF Xtra product is assumed by Fannie Mae. Through MPF Xtra, PFIs can take advantage of the benefits of secondary market liquidity without becoming a direct Fannie Mae seller/servicer.

Eight of the 11 FHLBs offer the MPF Xtra product to their PFIs, and the Federal Home Loan Bank of Chicago acts as the administrator of the program and as the official Fannie Mae seller/servicer. As the seller/servicer, the FHLB of Chicago assumes the representations and warranties (reps and warrants) to Fannie Mae on loans sold through MPF Xtra. However, PFIs are required to retain the customary reps and warrants to the FHLB for originations sold through MPF Xtra. PFIs are provided access to Fannie Mae's Desktop Underwriter[®] risk assessment platform and can use either automated or manual underwriting processes.

Loan Types: Most fixed-rate Fannie Mae products including HomeReady[®] and cash-out refinances of existing Fannie Mae mortgages are eligible. Loan-to-values up to 97 percent are allowed.

Loan Delivery: After obtaining a master commitment from the FHLB, the PFI will contact the MPF Xtra Service Center to obtain indicative pricing,²⁶ enter into mandatory delivery commitments, and lock in the final price for the loans to be sold under an MPF Xtra master commitment. PFIs will submit loan information and funding

requests using the eMPF website. The eMPF website is a secure, transactional resource that PFIs can use to obtain credit enhancement determinations, execute delivery commitments, and deliver loans (see Resources).

There is a "best efforts" option for individual loan delivery with no pair-off fees for non-delivery.²⁷ Under a best efforts delivery commitment, PFIs can lock in specific pricing for loans they expect to deliver within a specific time frame. PFIs will not be charged for loans that do not close.

Underwriting: Loans can be underwritten manually or through Fannie Mae's Desktop Underwriter[®].

Servicing Options: Servicing retained or servicing released options. (See Servicing Options in Overview for a full description.)

²⁴ See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), <https://fdic.gov/mortgagelending> for a complete list of loan products.

²⁵ Representations and warranties are claims that the seller makes in a purchase and sales agreement about the nature of the loan and which in turn form the basis for due diligence. If lenders are found to violate representations and warranties, secondary market entities may force the lender to repurchase the loan or may refuse insurance or guarantee claims.

²⁶ This is the preliminary estimate for the price of loans to be sold under the MPF Xtra master agreement. It is not binding and may be subject to change.

²⁷ Typically, Fannie Mae pair off fees are paid when a lender is unable to meet the terms of a delivery commitment. In the case of the best efforts option used for the MPF Xtra product, PFIs estimate the loan volume they will deliver under a specified contract but are not charged if they are unable to deliver the full commitment.

Servicing Fee: 25 basis points paid monthly, if servicing is retained.

Credit risk-sharing structure: Not applicable.

Other fees: Loans are subject to Fannie Mae Loan Level Price Adjustments²⁸ (LLPAs) and Investor Price Adjustments (IPAs). Pricing adjustments are assessed on an individual loan level and based upon loan features such as credit score and loan-to-value ratios.

RESOURCES

Product parameters are subject to change. See individual FHLB summaries to contact your Federal Home Loan Bank.

MPF Xtra

https://www.fhlbmpf.com/Shared%20Documents/MPFXtra_Provider.pdf

eMPF Website (ID/Password required)

<https://www.fhlb-mpf.com/eMPF/Logon.aspx?ReturnUrl=/empf>

eMPF PFI User Manual

<https://www.fhlbmpf.com/Shared%20Documents/eMPFUserManual.pdf>

POTENTIAL BENEFITS

MPF Xtra offers PFIs the ability to originate Fannie Mae eligible loans and transfer liquidity, prepayment, interest, and credit risk while avoiding the financial and operational requirements associated with becoming a direct Fannie Mae seller/servicer.

PFIs can obtain access to Desktop Underwriter[®] and Collateral Underwriter[®], Fannie Mae's online credit and appraisal underwriting systems, at no cost.

The PFI can either retain or sell servicing rights.

POTENTIAL CHALLENGES

PFI retains the representations and warranties' risk for origination.

The PFIs must become familiar with Fannie Mae product underwriting standards.

²⁸ For more information, see Fannie Mae Loan Level Price Adjustment Matrix at <https://www.fanniemae.com/content/pricing/llpa-matrix.pdf>